

Auditing Procedures Report

[Instructions and MuniCodes](#)

* = Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Emerson Township	County* GRATIOT	Type* TOWNSHIP	MuniCode* 29-1-040
Opinion Date-Use Calendar* Aug 28, 2008	Audit Submitted-Use Calendar* Sep 25, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 121,484.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 81,273.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 226,124.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* William	Last Name* Hirschman	Ten Digit License Number* 1101016179		
CPA Street Address* 308 Gratiot Avenue	City* Alma	State* MI	Zip Code* 48801	Telephone* +1 (989) 463-6123
CPA Firm Name* Roslund, Prestage & Company	Unit's Street Address* 1103 N. Baldwin Road	Unit's City* Ithaca	Unit's Zip* 48847	

Financial Statements

**Emerson Township
Gratiot County, Michigan**

March 31, 2008



Emerson Township
Table of Contents
March 31, 2008

	Page Number
Independent Auditor's Report	
Management's Discussion and Analysis	I - III
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Notes to the Financial Statements	7-15
Required Supplemental Information:	
Budgetary Comparison Schedules	16-18
Other Supplemental Information:	
General Fund – Statement of Expenditures	19-20
Government Auditing Standards Report	21-23



INDEPENDENT AUDITOR'S REPORT

Emerson Township
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Emerson Township (the Township), as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2008, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Roslund, Prestage & Company, P.C." The script is cursive and fluid, with the ampersand clearly visible.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

August 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS



Emerson Township Management's Discussion and Analysis

We, the Township Board of Emerson Township, offer citizens of the Township our financial statements with this narrative overview and analysis of the financial activities of Emerson Township for the fiscal year ended March 31, 2008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Emerson Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances.

The statement of net assets on page 1 presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets.

The statement of activities on page 2 presents information showing how the Township's net assets changed during the most recent fiscal year.

Both the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Township include general government, public safety, public works, and community and economic development.

The Township adopts an annual appropriated budget for its general fund, fire fund and road fund. A budgetary comparison statement has been provided for the general fund, fire fund and road fund to demonstrate compliance with this budget.

Emerson Township Management's Discussion and Analysis

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Emerson Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The fire fund is used by the Township to account for the resources generated and expenses paid for fire protection. The road fund is used by the Township to account for the resources generated and expenses paid for road repair and maintenance.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-15 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's Budget to Actual comparison. Required supplementary information can be found on pages 16 - 18 of this report.

Financial Highlights

The unrestricted net assets of Emerson Township exceeded its liabilities at the close of the most recent fiscal year by \$216,027, which may be used to meet the Township's ongoing obligations to the citizens and creditors.

At the close of the current fiscal year, Emerson Township's governmental funds reported ending fund balance of \$290,268, an increase of \$48,077 from the 2006 fund balance.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$216,027 or 266% percent of the total general fund expenditures.

The Township's total expenditures increased \$25,957 compared to 2006 expenditures.

Emerson Township Management's Discussion and Analysis

The Township's Funds

The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities.

We have the general fund which pays for most of the Township's governmental services and a fire fund and road fund which are set up to show revenues and expenditures pertaining to fire protection and road repair and maintenance only.

General Fund Budgetary Highlights

Over the course of the year, the Township Board may amend the budget to take into account events during the year. For the fiscal year ended March 31, 2008, several amendments were made to the originally adopted budget. Budget-to-actual statements are shown on pages 16-18.

Cash and Cash Equivalents

At the end of March 2008, the Township had \$271,972 invested in a combination of CD's and cash deposits. \$61,757 was uninsured and uncollateralized. Deposits that exceed FDIC coverage limits are held at local banks. The Township Board believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank accounts.

Economic Factors and Next Year's Budget and Rates

The unemployment rate still remains high in the State of Michigan but the Township's budget for next year includes the same rate in State Revenue Sharing payments as in the previous year. Also considered was the uncertainty of interest rates on the Township's CDs for the fiscal year 2008-2009.

Requests for Information

The financial report is designed to provide a general overview of Emerson Township's finances for all those with an interest in the Township's finances. Questions concerning any of the additional financial information should be addressed to the Supervisor of the Township in writing at 1576 N. Mikus Road, Ithaca, Michigan, 48847, or by telephone at (989) 875-2273.

GOVERNMENT-WIDE FINANCIAL STATEMENTS



Emerson Township
Statement of Net Assets
March 31, 2008

	Total Governmental Funds
Assets	
Current assets	
Cash and cash equivalents	\$261,655
Cash - restricted	10,317
Property taxes receivable	7,625
Due from other governments	<u>15,600</u>
Total current assets	<u>295,197</u>
Noncurrent assets	
Fixed assets - net	<u>-</u>
Total assets	<u>295,197</u>
Liabilities	
Current liabilities	
Accounts payable	<u>4,929</u>
Total current liabilities	<u>4,929</u>
Net Assets	
Investment in capital assets, net of related debt	-
Restricted for:	
Road maintenance	32,104
Fire protection	32,040
Cemetery maintenance	10,097
Net assets - unrestricted	<u>216,027</u>
Total net assets	<u><u>\$290,268</u></u>

See accompanying notes to the financial statements.

Emerson Township
Statement of Activities
for the Year Ended March 31, 2008

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (expense) revenue and changes in net assets</u>
Functions			
Governmental activities			
Legislative	\$4,574	-	(\$4,574)
General government	64,876	\$4,300	(60,576)
Public safety	40,080	-	(40,080)
Public works	58,828	-	(58,828)
Community and economic development	2,143	255	(1,888)
Total governmental activities	<u>\$170,501</u>	<u>\$4,555</u>	(165,946)
		General revenues	
		Property taxes	99,058
		State grants	66,088
		Interest and rentals	9,342
		Other	<u>4,602</u>
		Total general revenues	179,090
		Change in net assets	13,144
		Net Assets - beginning of year	<u>277,124</u>
		Net Assets - end of year	<u>\$290,268</u>

See accompanying notes to the financial statements.

FUND FINANCIAL STATEMENTS



Emerson Township
Balance Sheet
Governmental Funds
March 31, 2008

	MAJOR FUNDS			Total Governmental Funds
	General Fund	Road Fund	Fire Fund	
Assets				
Cash and cash equivalents	\$202,013	\$29,853	\$29,789	\$261,655
Cash - restricted	10,317	-	-	10,317
Property taxes receivable	3,123	2,251	2,251	7,625
Due from other governments	15,600	-	-	15,600
 Total assets	<u>\$231,053</u>	<u>\$32,104</u>	<u>\$32,040</u>	<u>\$295,197</u>
Liabilities				
Accounts payable	<u>\$4,929</u>	<u>-</u>	<u>-</u>	<u>\$4,929</u>
Fund balance				
Reserved for:				
Road maintenance	-	\$32,104	-	32,104
Fire protection	-	-	\$32,040	32,040
Cemetery maintenance	10,097	-	-	10,097
Fund balance - unreserved	<u>216,027</u>	<u>-</u>	<u>-</u>	<u>216,027</u>
 Total fund balance	<u>226,124</u>	<u>32,104</u>	<u>32,040</u>	<u>290,268</u>
 Total liabilities and fund balance	<u>\$231,053</u>	<u>\$32,104</u>	<u>\$32,040</u>	<u>\$295,197</u>

See accompanying notes to the financial statements.

Emerson Township
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
for the Year Ended March 31, 2008

Total fund balance - governmental fund	\$290,268
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There are no reconciling items during the 2008 fiscal year.

Net assets of governmental activities	<u><u>\$290,268</u></u>
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See accompanying notes to the financial statements.

Emerson Township
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
for the Year Ended March 31, 2008

	MAJOR FUNDS			Total Governmental Funds
	General Fund	Road Fund	Fire Fund	
Revenues				
Taxes and penalties	\$37,008	\$31,025	\$31,025	\$99,058
State grants	66,088	-	-	66,088
Charges for services	4,555	-	-	4,555
Interest and rentals	9,231	19	92	9,342
Other	4,602	-	-	4,602
Total revenues	121,484	31,044	31,117	183,645
Expenditures				
Legislative	4,574	-	-	4,574
General government	55,048	-	-	55,048
Public safety	-	-	40,080	40,080
Public works	9,680	49,148	-	58,828
Community and economic development	2,143	-	-	2,143
Other	9,828	-	-	9,828
Total expenditures	81,273	49,148	40,080	170,501
Excess (deficiency) of revenues over expenditures	40,211	(18,104)	(8,963)	13,144
Other financing sources (uses)				
Transfers in	-	19,900	10,900	30,800
Transfers out	(30,800)	-	-	(30,800)
Total other financing sources (uses)	(30,800)	19,900	10,900	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	9,411	1,796	1,937	13,144
Fund balance, beginning of year	216,713	30,308	30,103	277,124
Fund balance, end of year	<u>\$226,124</u>	<u>\$32,104</u>	<u>\$32,040</u>	<u>\$290,268</u>

See accompanying notes to the financial statements.

Emerson Township
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
for the Year Ended March 31, 2008

Net change in fund balances - total governmental funds	\$13,144
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There are no reconciling items during the 2008 fiscal year.

Change in net assets of governmental activities	<u><u>\$13,144</u></u>
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See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Emerson Township (the Township) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

Reporting Entity

The Township is governed by an elected five-member council. The Township receives funding from local and state sources and must comply with all of the requirements of these funding source entities. However, the Township is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the Township's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities* normally supported by taxes and intergovernmental revenues are reported separately from *business-type activities* which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to consumers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Emerson Township
Notes to Financial Statements
March 31, 2008

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, claims and judgments are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Emerson Township
Notes to Financial Statements
March 31, 2008

Fiduciary Fund Financial Statements – Fiduciary funds account for assets held by the Township as a trustee or agency capacity on behalf of others and, therefore, are not available to support Township operations. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township's operations. The Township currently maintains an agency fund to account for the monies collected and paid to various governmental entities for property tax collections.

The Township reports the following major funds:

Governmental Funds - The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The *Road Fund* accounts for resources generated to pay for repairs and maintenance for roads within the Township. The *Fire Fund* accounts for resources generated to pay for fire services provided to Township residents.

Budgetary Data

Budgets are adopted by the Township for the general fund, the road fund and the fire fund. The budgets are adopted and prepared on the modified accrual basis of accounting. The budgets are adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

The Township does not maintain a formalized encumbrance accounting system.

Property Taxes

Property taxes are levied on each December 1st on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 14th with the final collection date of February 28th before they are added to the county delinquent tax rolls.

For Township operations, the 2007 Taxable Valuation of the Township totaled \$31,478,949 on which 0.97400 mills were levied for operations and 0.98570 mills were levied for fire protection and road maintenance.

The total 2007 levy for the Township was \$30,661 for operations, \$31,025 for fire protection and \$31,025 for road maintenance.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit.

Inventories

Inventories, which are immaterial in amount, are not recognized as an asset in these financial statements. Inventories are recorded as expenditures at the time of purchase in the governmental fund types.

Receivables

Receivables have been recognized for all significant amounts due the Township in accordance with the accounting principles used for the particular fund. Valuation reserves have not been provided since their collection is not considered doubtful and any uncollected amounts would be immaterial.

Capital Assets

Capital assets, which include property, plant and equipment, of the governmental activities are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The Township does not have infrastructure type assets.

Emerson Township
Notes to Financial Statements
March 31, 2008

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings & Improvements	25
Equipment & Furnishings	5

Governmental Fund – Fund Balance Reserves and Designations

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2008, the Township incurred expenditures in excess of the amounts appropriated as shown in the back of this report.

Emerson Township
Notes to Financial Statements
March 31, 2008

NOTE 3. DETAILED NOTES

Cash and Cash Equivalents

At March 31, 2008, the carrying amount of the Township's cash and cash equivalents was \$271,752 as follows:

Cash Deposits	\$100,443
Cash – restricted	10,317
Certificates of Deposit	161,212
Total	\$271,972

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be recovered. At March 31, 2008, the carrying amount of the Township's deposits was \$271,972 and the bank balance was \$275,860. Of the bank balance, \$214,103 was covered by federally depository insurance and the remainder was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks. Restricted cash represents amounts restricted for cemetery maintenance.

Investments

State statutes authorize the Township to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions and mutual funds composed entirely of the above investments. As of March 31, 2008, the Township had no such investments.

The Township's investment policy complies with the State statutes and has no additional investment policies that would limit its investment choices.

Interest Rate Risk – Investments

Under State statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Township's investment policy does not place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Township will not be able to recover the value of its investments that are in the possession of an outside party. The Township requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third party custodian and must be evidenced by safekeeping receipts. The Township does not have any additional policies for custodial credit risk over investments.

Credit Risk

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Township's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer.

Due From Other Governments

The amount of "Due From Other Governments" represents state revenue sharing received after year end.

Emerson Township
Notes to Financial Statements
March 31, 2008

Capital Assets

A summary of changes in general fund capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Buildings & Improvements	\$302,715	-	-	\$302,715
Equipment & Furnishings	1,061	-	-	1,061
Sub-totals	\$303,776	-	-	\$303,776
Accumulated Depreciation	(\$303,776)	-	-	(\$303,776)
Totals	-	-	-	-

Employees Retirement System – Defined Contribution Pension Plan

Plan Description

Emerson Township participates in the John Hancock Defined Contribution Pension Plan for Michigan Township Employees. The name of the plan is the Township of Emerson Group Pension Plan. All members of the Township Board are eligible to participate in the plan. As of March 31, 2008, the pension plan's current membership was 6 employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amount contributed to the participant's account and the returns earned on those contributions. The plan covers all elected officials or appointments to elected positions and these individuals become eligible to participate in the plan on the first entry date coincident with or immediately following the date of employment. Entry into the plan occurs on each April 1.

Emerson Township
Notes to Financial Statements
March 31, 2008

Funding Policy

The Township is required to make annual contributions based on salaries as follows:

Salary	Contribution
\$999 and less	\$150
\$1,000 – 1,999	\$300
\$2,000 – 2,999	\$450
\$3,000 – 3,999	\$600
\$4,000 and over	\$750

Employees may make voluntary contributions up to a maximum of 10% of their salary. Contributions made either by employees or the employer is vested 100% immediately and is nonforfeitable. During the year the Township's actual contributions amounted to \$3,300. There were no voluntary contributions made during the year.

Risk Management

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Township has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

Building Inspection Department Fund

Public Act 245 of 1999 was signed on December 28, 1999 and took immediate effect. This act amends the State Construction Code Act (Public Act 230 of 1972) and requires, among other things, the establishment of a special revenue fund to account for the revenues and expenditures associated with issuing building permits, examining plans and specifications, inspecting construction before issuing permits, and issuing certificates of use and occupancy.

The Township has not established this fund because the fee structure is not intended to recover the full cost and the Township has the ability to track the full cost and revenues of this activity without creating a separate fund.

The revenues generated under this act for the year ended March 31, 2008 were \$255. The expenditures incurred for this activity during the year ended March 31, 2008 were \$2,143.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE



Emerson Township
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
for the Year Ended March 31, 2008

	Budgeted Amounts			Variances Between Actual and Final Budget
	Original	Final	Actual	
Revenues				
Taxes and penalties	\$30,700	\$39,289	\$37,008	(\$2,281)
State grants	65,000	66,460	66,088	(372)
Charges for services	650	855	4,555	3,700
Interest and rentals	2,400	8,349	9,231	882
Other	3,000	3,750	4,602	852
Total revenues	101,750	118,703	121,484	2,781
Expenses				
Legislative	4,000	4,000	4,574	(574)
General government	52,500	62,500	55,048	7,452
Public works	7,000	7,000	9,680	(2,680)
Community and economic development	5,000	5,000	2,143	2,857
Other	15,500	15,500	9,828	5,672
Total expenditures	84,000	94,000	81,273	12,727
Excess (deficiency) of revenues over expenditures	17,750	24,703	40,211	15,508
Other financing sources (uses)				
transfers out	(28,982)	(91,000)	(30,800)	60,200
Total other financing sources (uses)	(28,982)	(91,000)	(30,800)	60,200
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(11,232)	(66,297)	9,411	75,708
Fund balance, beginning of year	216,713	216,713	216,713	-
Fund balance, end of year	<u>\$205,481</u>	<u>\$150,416</u>	<u>\$226,124</u>	<u>\$75,708</u>

See accompanying notes to the financial statements.

Emerson Township
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Road Fund
for the Year Ended March 31, 2008

	Budgeted Amounts			Variances Between Actual and Final Budget
	Original	Final	Actual	
Revenues				
Taxes and penalties	\$30,009	\$28,760	\$31,025	\$2,265
Interest	-	-	19	19
Total revenues	30,009	28,760	31,044	2,284
Expenses				
Public works				
Highways, streets, bridges	50,000	50,000	49,148	852
Total expenditures	50,000	50,000	49,148	852
Excess (deficiency) of revenues over expenditures	(19,991)	(21,240)	(18,104)	3,136
Other financing sources (uses)				
transfers in	18,991	20,345	19,900	(445)
Total other financing sources (uses)	18,991	20,345	19,900	(445)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(1,000)	(895)	1,796	2,691
Fund balance, beginning of year	30,308	30,308	30,308	-
Fund balance, end of year	<u>\$29,308</u>	<u>\$29,413</u>	<u>\$32,104</u>	<u>\$2,691</u>

See accompanying notes to the financial statements.

Emerson Township
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Fire Fund
for the Year Ended March 31, 2008

	Budgeted Amounts			Variances Between Actual and Final Budget
	Original	Final	Actual	
Revenues				
Taxes and penalties	\$30,009	\$28,760	\$31,025	\$2,265
Interest	-	-	92	92
Total revenues	30,009	28,760	31,117	2,357
Expenses				
Public safety				
Fire protection	31,000	31,000	39,480	(8,480)
Rescue Fees	10,000	10,000	600	9,400
Total expenditures	41,000	41,000	40,080	920
Excess (deficiency) of revenues over expenditures	(10,991)	(12,240)	(8,963)	3,277
Other financing sources (uses)				
transfers in	9,991	3,700	10,900	7,200
Total other financing sources (uses)	9,991	3,700	10,900	7,200
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(1,000)	(8,540)	1,937	10,477
Fund balance, beginning of year	30,103	30,103	30,103	-
Fund balance, end of year	<u>\$29,103</u>	<u>\$21,563</u>	<u>\$32,040</u>	<u>\$10,477</u>

See accompanying notes to the financial statements.

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF EXPENDITURES



Emerson Township
General Fund
Statement of Expenditures
for the Year Ending March 31, 2008

Legislative

Township board	
Salaries and wages	<u>\$4,574</u>

Total legislative	<u>4,574</u>
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General government

Supervisor	
Salaries and wages	11,080
Miscellaneous	<u>905</u>

Total supervisor	11,985
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Clerk	
Salaries and wages	7,484
Accounting and auditing	960
Supplies	476
Miscellaneous	<u>1,036</u>

Total clerk	9,956
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Treasurer	
Salaries and wages	7,240
Supplies	698
Miscellaneous	<u>2,239</u>

Total treasurer	10,177
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Board of review	
Salaries and wages	1,220

See accompanying notes to the financial statements.

Emerson Township
General Fund
Statement of Expenditures
for the Year Ending March 31, 2008

General government (continued)

Elections	
Salaries and wages	\$1,321
Miscellaneous	<u>176</u>
Total elections	1,497
Building and grounds	
Utilities	4,283
Repairs and maintenance	<u>1,512</u>
Total building and grounds	5,795
Cemetery	
Miscellaneous	<u>14,418</u>
Total general government	<u>55,048</u>

Public works

Drains at large	
Contracted services	<u>9,680</u>

Community and economic development

Zoning board	
Salaries and wages	2,035
Miscellaneous	<u>108</u>
Total Community and economic development	<u>2,143</u>

Other

Payroll taxes	2,679
Insurance and bonds	3,292
Retirement	<u>3,857</u>
Total other	<u>9,828</u>

Total expenditures	<u><u>\$81,273</u></u>
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See accompanying notes to the financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Township Board
Emerson Township
Gratiot County, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Emerson Township as of and for the year ended March 31, 2008, which collectively comprise Emerson Township's basic financial statements and have issued our report thereon dated August 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Emerson Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiency described as 2008-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above as 2008-1 is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emerson Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management in a separate letter dated August 28, 2008.

Emerson Township's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of management, Township Board, federal awarding agencies, pass-through entities and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C.".

Roslund, Prestage & Company, P.C.
Certified Public Accountants

August 28, 2008

Emerson Township
Schedule of Findings and Responses

Finding 2008-1

Finding considered a significant deficiency

Effective for the year ended March 31, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (Issued May 2006) requires us to communicate in writing when a client requires assistance to prepare the financial statements and related footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

The annual financial statements for the year ended March 31, 2008 required numerous audit adjustments, most of which the staff was aware needed to be recorded. The staff of the Township does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We expect this situation to be ongoing in future years.



MANAGEMENT LETTER

To The Board Of Trustees
Emerson Township
Gratiot County, Michigan

In planning and performing our audit of the financial statements for Emerson Township for the fiscal year ended March 31, 2008, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our audit report dated August 28, 2008 on the financial statements of Emerson Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Roslund, Prestage & Company, P.C.

ROSLUND, PRESTAGE AND COMPANY, P.C.
Certified Public Accountants

August 28, 2008

Emerson Township Management Letter

We were pleased to see that management has implemented some of the recommendations we included in our previously issued Management Letter.

We have listed below the comments and related recommendations we included in our previously issued Management Letter in which the recommendations we suggested, or an appropriate alternative, have not been fully implemented as of the date of this report.

PRIOR YEAR COMMENTS AND RECOMMENDATIONS

Adopt a Capitalization Policy and Expense Small Items

We noted during our audit that there is no established guideline concerning which property and equipment acquisitions are to be capitalized. We recommend that the Township establish a capitalization policy whereby all purchases over a minimum threshold (i.e. \$1,000) and having a useful life of one year or more are capitalized. This policy should be in writing and communicated to those who code property invoices to ensure the policy is consistently followed. Also, we recommend that capitalized expenditures be coded to an account separate from those expenditures which will not be capitalized. This will result in a more uniform treatment of property and equipment and allow the Township to continue to assess current expenditures along with identifying significant assets that will later be capitalized.

Computerize Check Writing

The Township is currently preparing checks manually. We recommend that management review its current process of preparing checks and consider utilizing a computerized check writing system that will electronically prepare and print the checks.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

Organizational Structure

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Board remain involved in the financial affairs of the Township to provide oversight and independent review functions.

Emerson Township
Management Letter

Adopt an Investment Policy

We noted during our audit that an investment policy has not been formally adopted. According to Public Act 20 of 1943, Emerson Township is required to adopt an investment policy that outlines the purpose, scope and objectives of the policy, delegates authority to make investments, lists authorized investment instruments and provides a statement concerning safekeeping, custody and prudence. A sample investment policy has been mailed to the Township. We recommend that the Board review Public Act 20 of 1943 as well as the sample policy provided and adopt an investment policy for use by the Township.